

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other			Local Unit Name <b>VILLAGE OF DECKERVILLE</b>	County <b>SANILAC</b>
Fiscal Year End <b>3-31-06</b>	Opinion Date <b>5-26-06</b>	Date Audit Report Submitted to State <b>7-13-06</b>		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

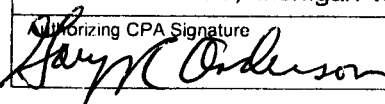
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	<b>N/A</b>	
Certified Public Accountant (Firm Name) <b>ANDERSON, TUCKEY, BERNHARDT &amp; DORAN, P.C.</b>		Telephone Number <b>989-673-3137</b>	
Street Address <b>715 East Frank St. Caro, Michigan 48723-1623</b>		City	State Zip
Authorizing CPA Signature 		Printed Name <b>GARY R. ANDERSON</b>	License Number <b>1101005446</b>

**VILLAGE OF DECKERVILLE**

**REPORT ON FINANCIAL STATEMENTS**  
(With Additional Information)

**MARCH 31, 2006**

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA  
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May 26, 2006

Robert L. Tuckey, CPA  
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Jamie L. Peasley, CPA

## REPORT OF INDEPENDENT AUDITORS

Honorable Village Council  
Village of Deckerville  
Deckerville, Michigan 48427

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Deckerville, as of and for the year ended March 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Deckerville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Deckerville, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended and interpreted, as of March 31, 2006.

The management's discussion and analysis and budgetary comparison information on pages I through V and 25 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Deckerville's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The combining and individual nonmajor fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

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# VILLAGE OF DECKERVILLE, MICHIGAN

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## Management's Discussion and Analysis

Our discussion and analysis of the Village of Deckerville's financial performance provides an overview of the Village's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Village's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006:

- The fund balance in the General Fund decreased from \$559,202 to \$527,021
- State-shared revenue, the Village's second largest General Fund revenue source, was reduced by the State of Michigan by \$10,141 representing an 9% decrease from the 2003-2004 fiscal year. However, the \$107,460 received from the State of Michigan was above the budgeted projection by \$2,460.

### **Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

# VILLAGE OF DECKERVILLE, MICHIGAN

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## Management's Discussion and Analysis

### The Village as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 702,080	\$ 212,569	\$ 914,649
Noncurrent assets	1,333,408	589,442	1,922,850
Total assets	2,035,488	802,011	2,837,499
Current liabilities	43,147		43,147
Long-term liabilities	121,500		121,500
Total liabilities	164,647		164,647
Net assets:			
Invested in capital assets - Net of related debt	1,172,988		1,172,988
Contributed capital		229,972	229,972
Restricted		572,039	572,039
Unrestricted	697,853		697,853
Total net assets	\$ 1,870,841	\$ 802,011	\$ 2,672,852

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations ended the fiscal year with a balance of \$697,853 in the governmental activities.

## VILLAGE OF DECKERVILLE, MICHIGAN

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### Management's Discussion and Analysis

The following table shows the changes of the net assets during the current year:

	Governmental Activities	Business-Type Activities	Total
<b>Net Assets</b> - Beginning of year - (as adjusted)	\$ 1,456,841	\$ 820,986	\$ 2,277,827
<b>Revenue</b>			
Program revenue:			
Charges for services	188,864	137,548	326,412
Operating grants and contributions			
General revenue:			
Property taxes	457,997	13,786	471,783
Intergovernmental revenue	193,722		193,722
Investment earnings	3,276	7,685	10,961
Sale of building	263,820		263,820
Miscellaneous	23,718		23,718
Net transfers			
Total revenue	1,131,397	159,019	1,290,416
<b>Program Expenses</b>			
General government	232,000		232,000
Road maintenance and repair	133,006		133,006
Public safety	171,979		171,979
Public works	10,123		10,123
Culture and recreation	51,749		51,749
Water & sewer		177,994	177,994
Depreciation	109,744		109,744
Interest on long-term debt	8,796		8,796
Total expenses	717,397	177,994	895,391
Change in Net Assets	414,000	(18,975)	395,025
<b>Net Assets - End of Year</b>	<b>\$ 1,870,841</b>	<b>\$ 802,011</b>	<b>\$ 2,672,852</b>

# VILLAGE OF DECKERVILLE, MICHIGAN

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## Management's Discussion and Analysis

### **Business-type Activities**

The Village's business-type activities consist of the Water and Sewer Fund. The Village provides water to residents from ground water wells. Sewage treatment is provided through a Village-owned and operated sewage treatment plant.

The Water and Sewer Fund had a net loss of \$49,297, and its cash flow decreased by \$121,502. Revenues for the fund were down about 8%.

### **The Village's Funds**

Our analysis of the Village's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for the current year include the General, Major Street, Local Street, and Water and Sewer Funds.

The General Fund pays for most of the Village's governmental services. The most significant are Administration, Fire Protection, Police Department, and Public Works, which incurred expenses of approximately \$851,127 in the current fiscal year. These costs and the remaining \$71,151 cost of the other General Fund departments are funded by real and personal property taxes and other general revenue sources of the General Fund.

### **General Fund Budgetary Highlights**

Overall, revenues in the General Fund fell short of budget by \$8,418.

Village departmental expenses in the General Fund overall spent less than budget projections by \$56,171.

### **Capital Asset and Debt Administration**

As of March 31, 2006, the Village had a total of approximately \$1,922,850 (net of depreciation) invested in a broad range of capital assets, including roads, buildings, equipment, and water and sewer lines.

Debt service makes up approximately 4% of the total governmental expenditures

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 10, respectively, in the notes to the financial statements.



# VILLAGE OF DECKERVILLE, MICHIGAN

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## Management's Discussion and Analysis

### **Economic Factors and Next Year's Budgets and Rates**

In preparing the 2006-2007 budget, the village expects similar activity levels to 2005-2006. State shared revenues have been consistently declining in recent years, and this trend is expected to continue. Other revenues are expected to be consistent with the 2005-2006 fiscal year.

### **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the village's office.

## BASIC FINANCIAL STATEMENTS

**VILLAGE OF DECKERVILLE**  
**STATEMENT OF NET ASSETS**  
March 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash	\$ 611,152	\$ 143,483	\$ 754,635
Accounts Receivable	90,928	69,086	160,014
Due from other funds			-
Due from other units			-
Total current assets	702,080	212,569	914,649
Noncurrent assets:			
Capital assets, net of depreciation	1,333,408	589,442	1,922,850
<b>TOTAL ASSETS</b>	<b><u>\$ 2,035,488</u></b>	<b><u>\$ 802,011</u></b>	<b><u>\$ 2,837,499</u></b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Customer deposits payable	-	-	-
Current maturities on long-term debt	\$ 38,920		\$ 38,920
Accrued interest	4,227		4,227
Due to other funds			-
Due to other units			-
Total current liabilities	43,147	-	43,147
Noncurrent liabilities:			
Noncurrent portion of long-term debt	121,500		121,500
Accumulated compensated absences			-
Total noncurrent liabilities	121,500	-	121,500
<b>TOTAL LIABILITIES</b>	<b><u>164,647</u></b>	<b><u>-</u></b>	<b><u>164,647</u></b>
<b>NET ASSETS</b>			
Invested in capital assets -			
Net of related debt	1,172,988		1,172,988
Contributions in aid of construction			-
Contributed capital		\$ 229,972	229,972
Restricted for:			-
Capital projects			-
Unrestricted	697,853	572,039	1,269,892
<b>TOTAL NET ASSETS</b>	<b><u>1,870,841</u></b>	<b><u>802,011</u></b>	<b><u>2,672,852</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,035,488</u></b>	<b><u>\$ 802,011</u></b>	<b><u>\$ 2,837,499</u></b>

The accompanying footnotes are an integral part of the financial statements.

**VILLAGE OF DECKERVILLE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2006**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 232,000	\$ 152,364		\$ (79,636)	-	\$ (79,636)
Road maintenance and repair	133,006			(133,006)	-	(133,006)
Public safety	171,979	36,500		(135,479)	-	(135,479)
Public works	10,123			(10,123)	-	(10,123)
Culture and recreation	51,749			(51,749)	-	(51,749)
Depreciation	109,744			(109,744)	-	(109,744)
Interest on long-term debt	8,796			(8,796)		(8,796)
Total governmental activities	<u>717,397</u>	<u>188,864</u>	<u>-</u>	<u>(528,533)</u>	<u>-</u>	<u>(528,533)</u>
Business-type activities:						
Water & sewer	<u>177,994</u>	<u>137,548</u>			<u>(40,446)</u>	<u>(40,446)</u>
<b>Total primary government</b>	<b><u>\$ 895,391</u></b>	<b><u>\$ 326,412</u></b>	<b><u>-</u></b>	<b><u>\$ (528,533)</u></b>	<b><u>\$ (40,446)</u></b>	<b><u>\$ (568,979)</u></b>

General revenues:			
Taxes:			
Property taxes, levied for general purposes	\$ 310,763		\$ 310,763
Property taxes, levied for streets and sanitation purposes	147,234		147,234
Property taxes, levied for water and sewer purposes		\$ 13,786	13,786
Intergovernmental revenue	193,722		193,722
Investment earnings	3,276	7,685	10,961
Sale of building	263,820		263,820
Miscellaneous	23,718		23,718
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>942,533</u>	<u>21,471</u>	<u>964,004</u>
Change in net assets	414,000	(18,975)	395,025
Net assets - beginning	<u>1,456,841</u>	<u>820,986</u>	<u>2,277,827</u>
Net assets - ending	<u>\$ 1,870,841</u>	<u>\$ 802,011</u>	<u>\$ 2,672,852</u>

The accompanying footnotes are an integral part of the financial statements

**VILLAGE OF DECKERVILLE**  
**COMBINING BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
March 31, 2006

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash	\$ 460,091	\$ 56,241	\$ 94,820	\$ 611,152
Accounts Receivable	66,930	14,901	9,097	90,928
Due from other funds	-	-	-	-
Due from other units	-	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 527,021</u></b>	<b><u>\$ 71,142</u></b>	<b><u>\$ 103,917</u></b>	<b><u>\$ 702,080</u></b>
<b><u>LIABILITIES &amp; FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Customer deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other units	-	-	-	-
Total Liabilities	-	-	-	-
Fund equity:				
Contributed capital				
Contributions in aid of construction				
Retained earnings:				
Reserved				
Unreserved				
Investment in General Fixed Assets				
Fund balance:				
Undesignated	193,842	71,142	103,917	368,901
Designated	333,179	-	-	333,179
Total Fund Equity	527,021	71,142	103,917	702,080
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 527,021</u></b>	<b><u>\$ 71,142</u></b>	<b><u>\$ 103,917</u></b>	<b><u>\$ 702,080</u></b>

The accompanying footnotes are an integral part of the financial statements

**VILLAGE OF DECKERVILLE**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET and**  
**STATEMENT OF NET ASSETS**  
March 31, 2006

	Modified Accrual Basis	Reconciling Item	Full Accrual Basis
	TOTAL GOVERNMENTAL FUNDS	CAPITAL ASSETS & LONG TERM DEBT	TOTAL
<b><u>ASSETS</u></b>			
Cash	\$ 611,152		\$ 611,152
Accounts Receivable	90,928		90,928
Prepaid expenses			-
Due from other funds	-		-
Due from other units	-		-
Total Current Assets	<u>702,080</u>	<u>-</u>	<u>702,080</u>
Construction in progress			-
Capital assets:			
Land			-
Depreciable capital assets		\$ 3,597,767	3,597,767
Less: Accumulated Depreciation		(2,264,359)	(2,264,359)
Total Non-Current Assets	<u>-</u>	<u>1,333,408</u>	<u>1,333,408</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 702,080</u></b>	<b><u>\$ 1,333,408</u></b>	<b><u>\$ 2,035,488</u></b>
<b><u>LIABILITIES &amp; FUND BALANCES</u></b>			
Liabilities:			
Accounts payable			-
Accrued salaries & wages			-
Accrued interest payable		\$ 4,227	\$ 4,227
Due to other funds			-
Due to other units			-
Current maturities of long-term debt		38,920	38,920
Notes Payable - long term		121,500	121,500
Deferred revenue			-
Accumulated compensated absences			-
Total Liabilities	<u>-</u>	<u>164,647</u>	<u>164,647</u>
Fund Balances:			
Contributed capital			
Reserved for:			
Capital projects			-
Fund balance:			
Undesignated	368,901		368,901
Designated	333,179	1,168,761	1,501,940
Total Fund Balances/Net Assets	<u>702,080</u>	<u>1,168,761</u>	<u>1,870,841</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 702,080</u></b>	<b><u>\$ 1,333,408</u></b>	<b><u>\$ 2,035,488</u></b>

The accompanying footnotes are an integral part of the financial statements.

**VILLAGE OF DECKERVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	<b>GENERAL</b>	<b>MAJOR STREET</b>	<b>LOCAL STREET</b>	<b>TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT</b>
<b>REVENUES:</b>				
Taxes	\$ 310,763	\$ 72,350	\$ 74,884	\$ 457,997
Intergovernmental revenue:				
Gas & weight tax		66,638	18,502	85,140
State	108,582			108,582
License, Permits and Fees	1,928			1,928
Fines and Forfeitures	259			259
Charges for services	152,364			152,364
Grants	36,500			36,500
Interest Income	3,276			3,276
Miscellaneous	12,605	6,530	2,396	21,531
<b>TOTAL REVENUE</b>	<b>626,277</b>	<b>145,518</b>	<b>95,782</b>	<b>867,577</b>
<b>EXPENDITURES:</b>				
Administration	276,734			276,734
Construction		118,108	45,552	163,660
Fire Protection	107,561			107,561
Police	97,766			97,766
Ambulance	13,400			13,400
Public works	375,068			375,068
Parks	51,749			51,749
Routine Maintenance		88,898	44,108	133,006
Equipment department				-
Streets				-
Miscellaneous				-
<b>TOTAL EXPENDITURES</b>	<b>922,278</b>	<b>207,006</b>	<b>89,660</b>	<b>1,218,944</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(296,001)</b>	<b>(61,488)</b>	<b>6,122</b>	<b>(351,367)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Building	263,820			263,820
Transfer In	-		-	-
Loan Proceeds	-	-	-	-
Loan Repayments	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>263,820</b>	<b>-</b>	<b>-</b>	<b>263,820</b>
<b>EXCESS OF REVENUE &amp; OTHER SOURCES OVER (UNDER) EXPENDITURES &amp; OTHER USES</b>	<b>(32,181)</b>	<b>(61,488)</b>	<b>6,122</b>	<b>(87,547)</b>
<b>FUND BALANCE - APRIL 1</b>	<b>559,202</b>	<b>132,630</b>	<b>97,795</b>	<b>789,627</b>
<b>FUND BALANCE - MARCH 31</b>	<b>\$ 527,021</b>	<b>\$ 71,142</b>	<b>\$ 103,917</b>	<b>\$ 702,080</b>

The accompanying footnotes are an integral part of the financial statements.

**VILLAGE OF DECKERVILLE**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2006**

Net change in fund balances - total governmental funds	\$ (87,547)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their useful lives as depreciation expense	
Depreciation expense	(109,744)
Capital outlay	573,339
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Long-term debt for capital assets is a reduction of net assets, however, a reduction of the debt increases net assets.	
Principal paid on long-term debt	36,816
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable at the beginning of the year	5,363
Accrued interest payable at the end of the year	(4,227)
Change in net assets of governmental activities	<u><u>\$ 414,000</u></u>

The accompanying footnotes are an integral part of the financial statements



**VILLAGE OF DECKERVILLE**  
**PROPRIETARY FUND TYPE**  
**COMBINING BALANCE SHEET**  
 March 31, 2006

	<u><b>ENTERPRISE FUND</b></u>
	<u><b>WATER/SEWER</b></u>
<b><u>ASSETS</u></b>	
Cash	\$ 143,483
Accounts receivable - net	69,086
Due from other funds	
Fixed assets	2,662,294
Less accumulated depreciation & amortization	<u>(2,072,852)</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 802,011</u></b>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>	
Liabilities:	
Accounts payable	
Bonds payable	
Due to other funds	
Customer deposits payable	<u>                    </u>
Total Liabilities	<u>-</u>
Fund Equity:	
Contributed capital	229,972
Contributions in aid of construction	
Retained earnings:	
Reserved for specific purpose	
Unreserved	<u>572,039</u>
Total Fund Equity	802,011
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b><u>\$ 802,011</u></b>

The accompanying footnotes are an integral part of the financial statements

**VILLAGE OF DECKERVILLE**  
**COMBINED STATEMENT OF REVENUE, EXPENSES**  
**AND CHANGE IN RETAINED EARNINGS/FUND BALANCE**  
**ALL PROPRIETARY FUND TYPES**  
**YEAR ENDED MARCH 31, 2006**

	<u>ENTERPRISE FUND</u>
	<u>WATER/SEWER</u>
OPERATING REVENUES:	
Water & sewer system sales	\$ 116,914
Other services, charges & sales	<u>20,634</u>
TOTAL OPERATING REVENUE	<u>137,548</u>
OPERATING EXPENSES:	
Salaries & wages	52,560
Employee benefits	15,622
Operating supplies	2,712
Professional fees	5,425
Insurance	4,476
Utilities	9,966
Repairs & maintenance	33,655
Depreciation	59,686
Equipment rental	20,664
Capital Outlay	-
Miscellaneous	<u>3,550</u>
TOTAL OPERATING EXPENSES	<u>208,316</u>
OPERATING INCOME (LOSS)	<u>(70,768)</u>
NON-OPERATING REVENUE (EXPENSES)	
Current tax collection	13,786
Interest earned	<u>7,685</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	21,471
OTHER FINANCING SOURCES (USES)	
Transfer In	-
TOTAL OTHER FINANCING SOURCES (USES)	-
NET INCOME (LOSS)	(49,297)
ADD: Amortization of fixed assets acquired by grant which reduces contributed capital	<u>30,322</u>
INCREASE IN RETAINED EARNINGS	(18,975)
RETAINED EARNINGS/FUND BALANCE - APRIL 1	<u>820,986</u>
RETAINED EARNINGS/FUND BALANCE - MARCH 31	<u><u>\$ 802,011</u></u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF DECKERVILLE**  
**WATER & SEWER FUND**  
**SCHEDULE OF CHANGES IN CONTRIBUTIONS IN**  
**AID OF CONSTRUCTION**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	<b><u>Year Ended</u></b> <b><u>March 31, 2006</u></b>
CONTRIBUTIONS IN AID OF CONSTRUCTION - APRIL 1	\$ 260,294
LESS: Depreciation of fixed assets acquired from contributions in	<u>(30,322)</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION - MARCH 31	<u><u>\$ 229,972</u></u>

See the accompanying notes.

**VILLAGE OF DECKERVILLE**  
**COMBINED STATEMENT OF CASH FLOWS -**  
**ALL PROPRIETARY FUND TYPES**  
**YEAR ENDED MARCH 31, 2006**

	<u><b>ENTERPRISE FUND</b></u>
	<u><b>WATER/SEWER</b></u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	\$ (49,297)
ADJUSTMENT TO RECONCILE NET INCOME TO	
CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	59,686
CHANGE IN CURRENT ASSETS AND LIABILITIES:	
(Increase) decrease in accounts receivable	(8,959)
(Increase) decrease in due from other funds	<u>(2,851)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(1,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	<u>(120,081)</u>
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	<u>(120,081)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(121,502)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>264,985</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 143,483</u></u>

Disclosure of Accounting Policy:

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, demand deposits in banks, and balances of certificates of deposit.

The accompanying notes are an integral part of the financial statements.

**PAYROLL FUND**

\$ 6,078

**\$ 6,078**

\$ 6,078

\_\_\_\_\_

**\$ 6,078**

11

**VILLAGE OF DECKERVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Village of Deckerville (the Village) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Deckerville.

Effective April 1, 2005, the Village implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statements include the following:

A Management Discussion & Analysis (MD&A) section providing an analysis of the Village’s overall financial position and results of operations has been included in the financial statements.

Financial statements prepared using full accrual accounting for all of the Village’s activities, including infrastructure (roads, etc.).

A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

During the fiscal period 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, issued June 1999; GASB Statements 37, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued June 2001, and in GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. These statements require the Village to prepare a Management’s Discussion and Analysis, government-wide financial statements on an accrual basis, and make some changes to the footnotes.

The following table shows beginning net assets related for the effects of implementation of GASB Statement No. 34:

Fund balance at March 31, 2005 – governmental funds	\$ 789,627
Net capital assets (restated)	869,813
Long-term liabilities (restated)	(197,236)
Compensated absences	-
Accrued interest	<u>(5,363)</u>
Restated net assets – April 1, 2006	<u>\$1,456,841</u>

**DESCRIPTION OF VILLAGE OPERATIONS AND FUND TYPES:**

The Village of Deckerville was organized in 1893 as a general law village with a fiscal year of April 1 through March 31. The Village is located in Sanilac County, Michigan. The Village operates under a Mayor-Council form of government. The Village provides various services to its residents including public safety (police, fire protection, and ambulance service), public works, parks and general administrative services.

**REPORTING ENTITY:**

In accordance with U.S. generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity”, these financial statements present the Village of Deckerville (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

**VILLAGE OF DECKERVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**BASIS OF PRESENTATION:**

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

**GOVERNMENTAL FUNDS:**

Governmental funds include the following fund types:

**General Fund:**

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general Village governmental departments, boards and commissions; (2) court systems; (3) law enforcement; and (4) health, welfare and medical assistance. The fund includes the general operating expenditures of the Village.

**Special Revenue Funds:**

These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

**PROPRIETARY FUNDS:**

**Enterprise Funds:**

These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**FIDUCIARY FUNDS:**

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

**Trust and Agency Funds:**

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds include: Expendable Trust, Nonexpendable Trust, Pension Trust and Agency Funds.

**VILLAGE OF DECKERVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**BASIS OF ACCOUNTING:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and certain other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**BUDGETS AND BUDGETARY ACCOUNTING:**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year-end. The budgeted revenues and expenditures for governmental fund types, include any authorized amendments to the original budget as adopted.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Village does not utilize encumbrance accounting.



**VILLAGE OF DECKERVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**CASH AND EQUIVALENTS:**

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorize the Village to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 50% of any fund at any time. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES:**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**RECEIVABLES:**

Receivables consist primarily of amounts for intergovernmental revenue and customer charges. An allowance for doubtful accounts has been established in those funds where it was determined to be necessary. Credit risk is minimal because of the large number of customers and the authority of the Village to add receivables to the tax rolls that are secured by the underlying property.

**RESTRICTED ASSETS:**

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and Michigan law.

**CAPITAL ASSETS:**

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, etc.) are reported in the operating fund in the government-wide financial statements. Capital assets are defined by the Village of Deckerville as assets with initial individual cost of more than \$5,000. Any donated assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after February 29, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions GASB 34. The Village has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed over the estimated useful lives using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project.

**VILLAGE OF DECKERVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**DEPRECIATION:**

Depreciation expense amounted to \$169,430 for the year ended March 31, 2006. Depreciation is computed using the straight-line method. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Land/Land Improvements	0 - 50
Buildings	10 - 50
Bridges	50
Meters	13 - 20
Storm/Sewer lines	30 - 67
Sidewalks/Trailways	30
Water lines	40
Motor Vehicles & Related Equipment	3 - 10
Machinery & Equipment	5 - 20
Roads	5 - 20
Parking lots	30

**LONG-TERM OBLIGATIONS:**

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**FUND EQUITY:**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Contributed capital currently exists only in the enterprise funds. This capital has been used along with other Village resources to purchase or construct the water and sewer systems currently in use within the Village. In order to more accurately reflect the equity remaining in these contributions, the contributions are being amortized over the useful life of the assets they aided in constructing or purchasing.

**INTERFUND TRANSACTIONS:**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**MEMORANDUM ONLY - TOTAL COLUMNS:**

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with U.S generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Prior year memorandum total amounts have been updated for comparative purposes.

**VILLAGE OF DECKERVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**ESTIMATES:**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – DEFINED CONTRIBUTION PENSION PLAN:**

The Village maintains a defined contribution pension plan for its full-time employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions are to be determined, instead of specifying the amount of benefits the individual is to receive. Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on the investment of those contributions. The plan covers full-time employees after twelve months of continuous service who are at least twenty-one years of age. Covered employees become vested in the plan after twelve months of service. The plan specifies that the employer will contribute eight percent of contracted compensation and the employee can contribute between one to ten percent of their annual compensation. The contracted wages for covered employees for the audit period was \$106,412. The employer contributions were \$11,175 and the employee contributions were \$6,181 for the period. No plan provisions occurred during the year that affected the required contributions to be made by the Village or its employees.

**NOTE 3 - CASH AND EQUIVALENTS:**

**DEPOSITS:**

At year-end, the carrying amount of the Village's deposits was \$754,635 and the bank balance was \$770,326. Of the bank balance, \$577,104 was covered by federal depository insurance with the remaining balance uninsured and uncollateralized. Additional disclosures required by GASB 40 are not included in the accompanying financial statements because the Village does not have any investments.

**NOTE 4 - CONTRIBUTED CAPITAL:**

Contributed capital currently exists only in the Enterprise Funds. This capital has been used along with other Village resources to purchase or construct the water and sewer systems currently in use or still in construction within the Village. In order to more accurately reflect the equity remaining in these contributions, depreciation expense on fixed assets acquired by grants, entitlements and shared revenues is closed to contributed capital rather than retained earnings.

**VILLAGE OF DECKERVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 5 - CAPITAL ASSET SUMMARY:**

A summary of proprietary fund type and governmental activities property, plant, and equipment at March 31, 2006 is as follows:

	<b><u>WATER &amp; SEWER FUND</u></b>	<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<b><u>TOTAL</u></b>
Buildings		\$1,706,000	\$1,706,000
Equipment		1,550,501	1,550,501
Roads		341,266	341,266
Land	\$ 64,884		64,884
Wells & towers	723,717		723,717
Water line	653,612		653,612
Lift station	85,000		85,000
Sanitary sewer system	1,015,000		1,015,000
Water mains	41,495		41,495
Painted water storage tanks	31,200		31,200
265 HP 4WL Dr. diesel tractor & accessories	<u>47,386</u>		<u>47,386</u>
 Total costs	 2,662,294	 3,597,767	 6,260,061
 Less accumulated depreciation	 <u>(2,072,852)</u>	 <u>(2,264,359)</u>	 <u>4,337,211</u>
 Net carrying amount	 <u>\$ 589,442</u>	 <u>\$1,333,408</u>	 <u>\$1,922,850</u>

All depreciation is computed using the straight-line method. Depreciation expense was recorded as follows:

Governmental activities	\$109,744
Water and sewer fund	<u>59,686</u>
 Total depreciation expense	 <u>\$169,430</u>

For the governmental activities, the total costs, accumulated depreciation and net carrying amount for the year ended March 31, 2005 were \$3,024,428, \$2,154,616 and \$869,812 respectively.

**NOTE 6 - PROPERTY TAX REVENUE:**

Property taxes become an enforceable lien on the property as of July 1. Taxes are levied on July 1 and are due in September. The Village bills and collects its own property taxes. Village tax revenues are recognized in the year of levy.

**NOTE 7 - LEGAL COMPLIANCE - BUDGETS:**

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to March 31 of each year, a proposed budget is submitted to the Council for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Village Council.

**VILLAGE OF DECKERVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 7 - LEGAL COMPLIANCE – BUDGETS (Continued):**

5. Formal budgetary integration is employed as a management control device during the year for the general fund, debt service fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Village Council during the fiscal year. Individual amendments were not material in relation to the original appropriations that were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

**NOTE 8 - RISK MANAGEMENT:**

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.

As of March 31, 2006, there is one claim against the Village in the amount of \$9,784. The case involves a claim for payment of vacation days, hospitalization and sick days. The case is in the Discovery stage and trial date is set for July 7, 2006.

**NOTE 9 – DESIGNATED FUND BALANCE:**

Portions of fund balance have been designated by the Village for specific purposes, and therefore are unavailable for future appropriation or expenditure. Current amounts designated in the general fund are:

Designated for Ambulance	\$147,077
Designated for Equipment Rental	68,266
Designated for Police	59,376
Designated for Fire equipment	53,944
Designated for Parks	<u>4,516</u>
Total	<u>\$333,179</u>

**NOTE 10 – LONG-TERM DEBT:**

General long-term debt of the Village consisted of and had the following provisions:

Note payable to Eastern Michigan Bank dated September 23, 2002. Five annual payments of \$46,748 including interest at a rate of 4.88% with a balloon payment due on September 23, 2008. Proceeds were used to purchase a 2002 fire truck which along with the full faith and credit of the Village is the security for the loan.

<b><u>YEAR ENDED</u></b> <b><u>MARCH 31,</u></b>	<b><u>PRINCIPAL</u></b>	<b><u>INTEREST</u></b>	<b><u>TOTAL</u></b>
2007	\$ 38,920	\$ 7,828	\$ 46,748
2008	39,111	7,637	46,748
2009	<u>82,389</u>	<u>          </u>	<u>82,389</u>
TOTAL	<u>\$160,420</u>	<u>\$ 15,465</u>	<u>\$175,885</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF DECKERVILLE**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<b>BUDGET</b>			<b>VARIANCE - FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>				
Taxes	\$ 287,265	\$ 287,265	\$ 310,763	\$ 23,498
Intergovernmental Revenue	106,608	106,608	108,582	1,974
License, Permits and Fees	2,028	2,028	1,928	(100)
Fines and Forfeitures	287	287	259	(28)
Charges for Services	127,544	127,544	152,364	24,820
Grants	52,585	52,585	36,500	(16,085)
Interest income	-	-	3,276	3,276
Miscellaneous	6,693	58,378	12,605	(45,773)
<b>TOTAL REVENUES</b>	<b>583,010</b>	<b>634,695</b>	<b>626,277</b>	<b>(8,418)</b>
<b>EXPENDITURES:</b>				
Administration	249,584	288,946	276,734	12,212
Fire Protection	110,804	110,804	107,561	3,243
Police	108,830	108,830	97,766	11,064
Ambulance	17,220	17,220	13,400	3,820
Public Works	107,206	383,349	375,068	8,281
Parks	69,300	69,300	51,749	17,551
<b>TOTAL EXPENDITURES</b>	<b>662,944</b>	<b>978,449</b>	<b>922,278</b>	<b>56,171</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(79,934)</b>	<b>(343,754)</b>	<b>(296,001)</b>	<b>47,753</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Building	-	263,820	263,820	-
Transfer In	79,934	79,934	-	(79,934)
Loan Proceeds	-	-	-	-
Loan Repayments	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>79,934</b>	<b>343,754</b>	<b>263,820</b>	<b>(79,934)</b>
<b>EXCESS OF REVENUE &amp; OTHER SOURCES OVER (UNDER) EXPENDITURES &amp; OTHER USES</b>	<b>-</b>	<b>-</b>	<b>(32,181)</b>	<b>(32,181)</b>
<b>FUND BALANCE - APRIL 1</b>	<b>559,202</b>	<b>559,202</b>	<b>559,202</b>	<b>-</b>
<b>FUND BALANCE - MARCH 31</b>	<b>\$ 559,202</b>	<b>\$ 559,202</b>	<b>\$ 527,021</b>	<b>\$ (32,181)</b>

See the accompanying notes.

**VILLAGE OF DECKERVILLE**  
**MAJOR STREET FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE- FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
REVENUE:				
Tax levy	\$ 69,278	\$ 69,278	\$ 72,350	\$ 3,072
Intergovernmental revenue:				
Gas & weight tax	75,422	75,422	66,638	(8,784)
Interest and other	39,243	69,243	6,530	(62,713)
TOTAL REVENUE	183,943	213,943	145,518	(68,425)
EXPENDITURES:				
Construction	97,974	117,974	118,108	(134)
Routine maintenance	85,969	95,969	88,898	7,071
TOTAL EXPENDITURES	183,943	213,943	207,006	6,937
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-	-	(61,488)	(61,488)
FUND BALANCE - APRIL 1	132,630	132,630	132,630	-
FUND BALANCE - MARCH 31	\$ 132,630	\$ 132,630	\$ 71,142	\$ (61,488)

See the accompanying notes.



**VILLAGE OF DECKERVILLE**  
**LOCAL STREET FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Tax levy	\$ 71,142	\$ 71,142	\$ 74,884	\$ 3,742
Intergovernmental revenue:				
Gas & weight tax	18,596	18,596	18,502	(94)
Interest and other	-	-	2,396	2,396
TOTAL REVENUE	<u>89,738</u>	<u>89,738</u>	<u>95,782</u>	<u>6,044</u>
EXPENDITURES:				
Construction	45,000	45,000	45,552	(552)
Routine maintenance	<u>44,738</u>	<u>44,738</u>	<u>44,108</u>	<u>630</u>
TOTAL EXPENDITURES	<u>89,738</u>	<u>89,738</u>	<u>89,660</u>	<u>78</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>6,122</u>	<u>6,122</u>
OTHER FINANCING SOURCES (USES)				
Transfer In			-	
TOTAL OTHER FINANCING SOURCES (USES)			<u>-</u>	
FUND BALANCE - APRIL 1	<u>97,795</u>	<u>97,795</u>	<u>97,795</u>	<u>-</u>
FUND BALANCE - MARCH 31	<u>\$ 97,795</u>	<u>\$ 97,795</u>	<u>\$ 103,917</u>	<u>\$ 6,122</u>

See the accompanying notes.

## ADDITIONAL INFORMATION

**VILLAGE OF DECKERVILLE  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
YEAR ENDED MARCH 31, 2006**

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTAL MARCH 31, 2006</u>
<b><u>ASSETS</u></b>			
Cash	\$ 56,241	\$ 94,820	\$ 151,061
Accounts Receivable	14,901	9,097	23,998
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 71,142</u></b>	<b><u>\$ 103,917</u></b>	<b><u>\$ 175,059</u></b>
 <b><u>LIABILITIES &amp; FUND EQUITY</u></b>			
Liabilities:			
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balance:			
Designated	<u>\$ 71,142</u>	<u>\$ 103,917</u>	<u>\$ 175,059</u>
Total Fund Equity	<u>71,142</u>	<u>103,917</u>	<u>175,059</u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b><u>\$ 71,142</u></b>	<b><u>\$ 103,917</u></b>	<b><u>\$ 175,059</u></b>

See the accompanying notes.

**VILLAGE OF DECKERVILLE**  
**SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUE, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE**  
**YEAR ENDED MARCH 31, 2006**

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTAL MARCH 31, 2006</u>
REVENUE:			
Taxes	\$ 72,350	\$ 74,884	\$ 147,234
Intergovernmental revenue	66,638	18,502	85,140
Miscellaneous	<u>6,530</u>	<u>2,396</u>	<u>8,926</u>
TOTAL REVENUE	<u>145,518</u>	<u>95,782</u>	<u>241,300</u>
EXPENDITURES:			
Streets	<u>207,006</u>	<u>89,660</u>	<u>296,666</u>
TOTAL EXPENDITURES	207,006	89,660	296,666
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(61,488)</u>	<u>6,122</u>	<u>(55,366)</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
FUND BALANCE - APRIL 1	<u>132,630</u>	<u>97,795</u>	<u>230,425</u>
FUND BALANCE - MARCH 31	<u><u>\$ 71,142</u></u>	<u><u>\$ 103,917</u></u>	<u><u>\$ 175,059</u></u>

See the accompanying notes.

**VILLAGE OF DECKERVILLE**  
**GENERAL FUND**  
**SCHEDULE OF REVENUE**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property tax	<u>\$ 287,265</u>	<u>\$ 310,763</u>	<u>\$ 23,498</u>
Total Taxes	<u>287,265</u>	<u>310,763</u>	<u>23,498</u>
Intergovernmental Revenue:			
State revenue sharing	105,000	107,460	2,460
Liquor license	<u>1,608</u>	<u>1,122</u>	<u>(486)</u>
Total Intergovernmental Revenue	<u>106,608</u>	<u>108,582</u>	<u>1,974</u>
License, Permits and Fees			
Zoning fees	600	380	(220)
Franchise fees	<u>1,428</u>	<u>1,548</u>	<u>120</u>
Total License, Permits and Fees	<u>2,028</u>	<u>1,928</u>	<u>(100)</u>
Fines and Forfeitures			
Village fines	187	236	49
County fines	<u>100</u>	<u>23</u>	<u>(77)</u>
Total Fines and Forfeitures	<u>287</u>	<u>259</u>	<u>(28)</u>
Charges For Services:			
Trash collection	36,650	36,722	72
Fire protection	10,704	14,703	3,999
Ambulance protection	-	-	-
Building and equipment rental	79,770	100,089	20,319
Miscellaneous	<u>420</u>	<u>850</u>	<u>430</u>
Total Charges For Services	<u>127,544</u>	<u>152,364</u>	<u>24,820</u>
Miscellaneous Revenue:			
Grants	52,585	36,500	(16,085)
Interest income	-	3,276	3,276
Miscellaneous income	<u>58,378</u>	<u>12,605</u>	<u>(45,773)</u>
Total Miscellaneous Revenue	<u>110,963</u>	<u>52,381</u>	<u>(58,582)</u>
TOTAL REVENUE	<u>\$ 634,695</u>	<u>\$ 626,277</u>	<u>\$ (8,418)</u>

See the accompanying notes.

**VILLAGE OF DECKERVILLE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Administrative:			
Salaries	\$ 80,326	\$ 78,458	\$ 1,868
Employee benefits	13,000	13,096	(96)
Election fees	1,200	749	451
Community promotion	11,500	11,821	(321)
Printing and publishing	2,300	2,247	53
Operating supplies	8,000	8,193	(193)
Professional fees	4,000	4,241	(241)
Trash fees	35,700	36,491	(791)
Telephone	3,575	3,563	12
Utilities	13,000	13,210	(210)
Street lights	16,784	16,028	756
Repairs and maintenance	10,127	9,568	559
Rental	19,500	19,659	(159)
Insurance & Bonds	11,155	11,341	(186)
Capital outlay	15,000	14,760	240
Building Rehab	30,863	12,374	
Miscellaneous	12,916	20,935	(8,019)
Total Administration	<u>288,946</u>	<u>276,734</u>	<u>12,212</u>
Fire Protection			
Salaries	7,900	3,719	4,181
Equipment rent	-	-	-
Insurance	9,699	10,747	(1,048)
Interest	-	9,932	(9,932)
Contracted services	13,500	13,225	275
Repairs and maintenance	9,800	11,377	(1,577)
Gas	700	2,096	(1,396)
Utilities	2,363	1,905	458
Miscellaneous	2,300	2,817	(517)
Capital outlay	64,542	51,743	12,799
Total Fire Protection	<u>110,804</u>	<u>107,561</u>	<u>3,243</u>

(Continued)

**VILLAGE OF DECKERVILLE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Police Department:			
Salaries	\$ 80,000	\$ 79,901	\$ 99
Employee benefits	7,500	-	7,500
Supplies	400	105	295
Professional fees	200	-	200
Uniforms and cleaning	643	-	643
Gas	3,136	3,143	(7)
Insurance	6,443	6,815	(372)
Repairs	650	955	(305)
Rent-building	-	-	-
Miscellaneous	2,398	640	1,758
Crossing Guard	2,000	1,590	
Utilities	3,250	3,250	
Capital outlay	2,210	1,367	843
	<u>108,830</u>	<u>97,766</u>	<u>11,064</u>
Total Police Department			
	<u>108,830</u>	<u>97,766</u>	<u>11,064</u>
Ambulance:			
Salaries	300	-	300
Employee benefits	-	-	-
Supplies	-	-	-
Contracted service	-	-	-
Gas	-	-	-
Insurance	-	-	-
Repairs	-	-	-
Rent	3,400	3,400	-
Training	150	-	150
Capital outlay	13,370	10,000	3,370
	<u>17,220</u>	<u>13,400</u>	<u>3,820</u>
Total Ambulance			
	<u>17,220</u>	<u>13,400</u>	<u>3,820</u>
Public Works Department:			
Salaries	16,000	13,355	2,645
Employee benefits	450	116	334
Gas	11,000	8,859	2,141
Utilities	4,400	683	3,717
Repairs	11,000	15,333	(4,333)
Insurance	2,656	2,989	(333)
Capital outlay	337,843	333,733	4,110
	<u>383,349</u>	<u>375,068</u>	<u>8,281</u>
Total Public Works Department			
	<u>383,349</u>	<u>375,068</u>	<u>8,281</u>

(Continued)

**VILLAGE OF DECKERVILLE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Parks			
Salaries	\$ 25,887	\$ 25,285	\$ 602
Employee benefits	5,589	-	5,589
Supplies	100	-	100
Utilities	1,200	987	213
Insurance	265	267	(2)
Repairs and maintenance	1,500	2,631	(1,131)
Equipment rent	11,000	9,723	1,277
Miscellaneous	6,100	12,156	(6,056)
Capital outlay	17,659	700	16,959
	<u>69,300</u>	<u>51,749</u>	<u>17,551</u>
Total Parks			
	<u>69,300</u>	<u>51,749</u>	<u>17,551</u>
TOTAL EXPENDITURES	<u>\$ 978,449</u>	<u>\$ 922,278</u>	<u>\$ 56,171</u>

See the accompanying notes.



**VILLAGE OF DECKERVILLE**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Water & sewer system sales	\$ 112,500	\$ 116,914	\$ 4,414
Other services, charges & sales	27,775	20,034	(7,741)
Current tax collection	13,054	13,786	732
Transfer In	121,671	-	(121,671)
Rental Income	-	600	600
Interest income	-	7,685	7,685
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL REVENUE	<u>\$ 275,000</u>	<u>\$ 159,019</u>	<u>\$ (115,981)</u>
EXPENDITURES:			
Operating Expenses:			
Salaries & wages	\$ 52,000	\$ 52,560	\$ (560)
Employee benefits	14,336	15,622	(1,286)
Operating supplies	5,000	2,712	2,288
Professional fees	2,000	5,425	(3,425)
Insurance	4,086	4,476	(390)
Utilities	10,280	9,966	314
Repairs & maintenance	69,000	33,655	35,345
Depreciation	-	59,686	(59,686)
Equipment rental	20,000	20,664	(664)
Capital Outlay	93,798	-	93,798
Miscellaneous	4,500	3,550	950
	<u>          </u>	<u>          </u>	<u>          </u>
Total Operating Expenses	<u>275,000</u>	<u>208,316</u>	<u>66,684</u>
TOTAL EXPENDITURES	<u>\$ 275,000</u>	<u>\$ 208,316</u>	<u>\$ 66,684</u>

See accompanying notes.

**VILLAGE OF DECKERVILLE**  
**MAJOR STREET FUNDS**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Construction:	\$ 117,974	\$ 118,108	\$ (134)
Routine Maintenance:			
Labor	27,000	26,275	725
Employee benefits	6,500	6,094	406
Insurance	1,703	1,713	(10)
Repairs	41,866	35,535	6,331
Traffic service	2,400	2,075	325
Pro service	500	-	500
Misc	2,000	1,894	
Equipment rental	14,000	15,312	(1,312)
Total Routine Maintenance	<u>95,969</u>	<u>88,898</u>	<u>6,965</u>
TOTAL EXPENDITURES	<u>\$ 213,943</u>	<u>\$ 207,006</u>	<u>\$ 6,937</u>

See the accompanying notes.

**VILLAGE OF DECKERVILLE**  
**LOCAL STREET FUNDS**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Construction:	\$ 45,000	\$ 45,552	\$ (552)
Routine Maintenance:			
Labor	16,000	17,592	(1,592)
Employee benefits	8,000	6,129	1,871
Insurance	1,703	1,713	(10)
Repairs	6,135	5,815	320
Traffic service	1,500	2,406	(906)
Equipment rental	10,000	10,161	(161)
Prof Services	400	-	
Misc		292	
Supplies	1,000	-	1,000
	<u>44,738</u>	<u>44,108</u>	<u>630</u>
Total Routine Maintenance			
	<u>44,738</u>	<u>44,108</u>	<u>630</u>
TOTAL EXPENDITURES	<u>\$ 89,738</u>	<u>\$ 89,660</u>	<u>\$ 78</u>

See the accompanying notes.